

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

Notice CMA-41

For: CMA's, LSA's, and State and County Offices Except AK, HI, and PR

CMA and LSA Questions and Answers

Approved by: Deputy Administrator, Farm Programs



1 Overview

A

Background

Cooperatives approved to be CMA's for CCC, play an important role in providing CCC marketing assistance loans and LDP's to producers. CMA's:

- enter into uniform marketing agreements with members
- submit identification numbers to the CMA eligibility process
- monitor producer and farm eligibility
- obtain warehouse or farm stored loans and LDP's for eligible producers on eligible farms
- allocate market gains and LDP's within a producer's established payment limitation
- issue funds to the applicable member
- repay or forfeit loan collateral.

Continued on next page

Disposal Date

June 1, 2000

Distribution

State Offices except AK, HI, and PR; State Offices relay to County Offices, **and FAX** to CMA's and LSA's

1 Overview (Continued)

A

Background (Continued)

County and State Offices must be familiar with CMA program provisions in 1-CMA, even though a CMA may not be located within a State but a CMA producer's control County Office may be located within a State. Control County Offices shall:

- verify ID and entity discrepancies between County Offices
- review and if necessary, reallocate payment limit amounts to administrative County Offices, CMA's, and LSA's
- research and validate eligibility problems.

LSA's as CCC's agent:

- prepare and execute cotton loan documents
- ensure that cotton to be pledged to CCC as security for a loan is eligible for price support and free and clear of all liens
- ensure that cotton for which an LDP is requested, is eligible
- disburse loans and LDP's
- deliver title documents to the Cotton Commercial Bank for safekeeping
- collect loan proceeds
- transfer funds to and from CCC through the Cotton Commercial Bank
- collect loan data for reporting to CCC
- report activity to CCC.

Questions and concerns raised before and since recent national CMA and LSA training pointed out the need for further research and clarification on certain issues. See Exhibits 1 and 2.

B

Purpose

This notice provides:

- a series of questions and answers about CMA operations, Exhibits 1 and 2
 - the responsibilities of State and County Offices for CMA program, Exhibit 3.
-

Policy Related Questions and Answers

Why does 1-CMA, subparagraph 52 E, prohibit CMA's from processing assignments but CMA's are required to pay offsets to administrative or control County Offices?

CMA's do not honor assignments filed by producers at County Offices because CMA's are not agents of CCC. In addition, assignments can be designated on CCC-36 from many different CCC programs. CMA's do not receive copies of assignment forms and would not know if an assignment is applicable to LDP's. CMA's are not advised of assignments by the CMA eligibility process reports because the assignment flag defaults to "N". CMA's may provide a service similar to the assignment process through their own member services using assignment information provided by the producer.

A. Why aren't CMA's subject to the same spot-check violations policies that individual producers are?
B. Why aren't CMA's and LSA's subject to COR reviews?

A. While CMA loans and LDP's are subject to random selection for spot-check by APSS at the service county level, potential violations are reported to PSD instead of administrative or control County Offices. CMA's in violation of CMA approval requirements, including the requirement to adhere to program policies, are subject to suspension and termination. CMA's are responsible to CCC for any loss related to commodities pledged as collateral for a loan or used to obtain an LDP.

B. Periodic audits of CMA's and LSA's are conducted by PSD. The books, documents, papers, and records of CMA's are available to CCC for inspection according to 7 CFR 1425.

1-CMA, paragraph 655 requires service County Offices to request assistance from State Offices when CMA loans and LDP's selected for spot-check are from outside the State. Is this practical, since the service County Office may not know the individual producer's involved?

No, PSD will amend 1-CMA to allow service County Offices to contact CMA's directly for production evidence similar to current 8-LP procedure.

What information and assistance can CMA's obtain from County Offices on their members behalf? Shall requests for information that may be restricted according to 2-INFO, be denied?

CMA's obtain loans and LDP's for eligible producers on eligible crops within a producer's established payment limit. This may require CMA to contact administrative and control County Offices to resolve eligibility and payment limit problems. According to 1-CMA, subparagraph 45 A, CMA's and LSA's are authorized to contact County Offices to resolve individual eligibility and payment limit problems. County Offices shall honor requests for assistance, including measurement service requests, and information from authorized CMA representatives within a reasonable period of time. However, requests by CMA representatives for information that is restricted according to 2-INFO, shall be denied.

Continued on the next page

Policy Related Questions and Answers (Continued)

Are CMA's required to obtain CCC-681-1's to release and market farm stored loan collateral?

Yes, according to 1-CMA, subparagraph 652 A, CMA service County Offices shall service CMA loans and LDP's according to 8-LP, and handle CMA loans and LDP's the same as any other loan or LDP would be handled for a producer, except service County Offices do not perform lien searches or file financing statements. For loan and LDP purposes, CMA's are the producer.

Some marketing agreements provide that beneficial interest does not pass to CMA until a commodity is physically delivered to CMA even though the producer signs the marketing agreement. This allows the producer to keep the commodity in farm storage and obtain a loan or LDP from a County Office but may inadvertently result in CMA obtaining a loan or LDP on the same grain.

- A. Is this type of marketing agreement permitted?
- B. How can CMA's and County Offices avoid making LDP's on the same grain or avoid making loans and LDP's to ineligible producers?
- C. Can PSD develop a file upload system from CMA's that provides producer loan and LDP data to applicable administrative County Offices?

A. Yes, this type of marketing agreement is permitted. Marketing agreements are periodically reviewed by PSD and changes may be recommended to CMA. In addition, a separate addendum is required to obtain farm stored loans and LDP's if the marketing agreement does not cover farm stored commodities.

B. CMA's and County Offices can avoid duplications by maintaining good communications. In addition, PSD will develop reports that establish reasonable quantities that producers may obtain loans and LDP's for.

C. Currently, CMA loan and LDP requests made through APSS are disbursed to CMA and not individual producers. Tracking individual producer loan and LDP activity with a CMA would require major changes to how CMA loan and LDP requests are processed. PSD is developing a new CMA process report that will provide CMA's with loan and LDP volume obtained by members from a County Office. CMA's will be able to review the loan and LDP report and use it with the new reasonableness report to identify duplicate loans and LDP's.

Can a CMA obtain LDP's outside of a marketing pool?

No, 1-CMA, subparagraph 33 A requires that LDP's be available to CMA's for any eligible commodity in a loan pool as provided by the uniform marketing agreement.

Continued on the next page

Policy Related Questions and Answers (Continued)

Can a CMA affiliate with other cooperatives and allow the members of those cooperatives to obtain loans and LDP's through the CMA?

Yes, CMA's can enter into pool agreements with other cooperatives and obtain loans and LDP's for the members of the affiliated cooperative as long as the CMA's marketing agreement is used. This means that the affiliated cooperative is subject to the same pool and eligibility requirements that CMA is. CMA's must be sure the affiliate cooperatives adequately inform their members of program provisions. State and County Offices can also assist by keeping producers informed of CMA program provisions.

How can CMA require producers to sign CCC-666 (LDP) or CCC-709 when CMA files CCC-666 (LDP) or CCC-709 with the service County Office for grain in a pool?

CMA's shall not use CCC forms for internal control purposes.

Why aren't non-cooperatives extended the same CMA authority as cooperatives are?

USDA has a 60 year history of supporting cooperative marketing beginning with extending cotton loans to cooperatives in 1934. CMA's were first approved in 1965. Cooperatives allow rural farmers and others to practice self-determination through democratically controlled businesses. Since CMA's are comprised of producer members and are member directed, FSA treats CMA as the producer.

CMA requests an LDP on CCC-666 (LDP) or a loan on CCC-666 and farm numbers do not always coincide with the State and county code.

A. How important is it that farm numbers and State and county codes match?

B. What location is used to determine loan and LDP rates?

A. Farm numbers matching are not critical but State and county codes are critical.

B. Service County Offices shall be provided information so they can base loan and LDP rates on where the commodity is stored. For commodities stored in a merged warehouse, CMA shall provide State and County codes where the commodity was delivered. See 1-CMA, subparagraph 652 A.

If duplicate benefits are obtained by a producer, who is responsible for collecting the overpayment?

Generally, the last payment made will be the first payment collected. According to 1-CMA, paragraph 70, CMA's providing ineligible benefits, shall reimburse CCC. The CMA service County Office shall collect, and record grain and rice repayments, according to 1-CMA, paragraph 71.

Continued on the next page

Policy Related Questions and Answers (Continued)

State Offices are bypassed since CMA's have a direct line of communication with PSD. Shouldn't the CMA forward all formal requests involving policy and software, that affect County Offices, through the applicable State Office?

State Offices have a vital role to play in CMA programs. 1-CMA, subparagraph 3 J, outlines State Office responsibilities relative to supervising and training County Offices involved in CMA programs and maintaining good communications with CMA's.

How is beneficial interest handled for cooperatives?

The CMA's uniform marketing agreement must give the CMA beneficial interest in the commodity, according to 1-CMA, subparagraph 625 A. The point when beneficial interest passes to the CMA is determined by language in the marketing agreement. Generally, beneficial interest is lost when CMA sells the commodity except, in the case of a direct purchase pool, when the producer delivers to the buyer.

A. How are determinations made by LSA's and CMA's that ordinarily are appealable to COC handled?

B. Should a CMA or LSA be considered as acting on behalf of FSA?

A. CMA producers who disagree with CMA determinations have no appeal rights except those rights that may exist for them as members of CMA. However, CMA's have appeal rights according to appeal regulations in 7 CFR 780 and 1-APP.

B. LSA producers have appeal rights to LSA according to 7 CFR 780 and 1-APP because LSA is an agent of CCC.

Can CMA's issue original and corrected IRS Form 1099's?

CMA's are responsible for reporting loan and LDP pool distributions to their members, including corrections, using their own tax reporting systems.

Can the date of delivery to a CMA and loss of beneficial interest be used as the date for establishing the LDP rate?

The date of delivery is applicable to establishing the LDP rate only when a CMA producer has a CCC-709 on file and delivers to CMA's direct purchase pool. In all other situations, beneficial interest is not lost until the commodity is sold by CMA.

Continued on the next page

Policy Related Questions and Answers (Continued)

If the \$75,000 payment limit is raised, how are situations handled where the payment limit has been reached and payments have already been reallocated?

A CMA notice addressing this situation will be issued if the payment limitation is changed.

If payment limitation is exceeded, who is responsible for collecting overpayments?

Same as above. See 1-CMA, paragraph 71 and subparagraphs 70 B and 70 C.

Software Related Question and Answers

Will there be an automated system to provide posted county price calculations to service County Offices?

There is no IBM System 36 software planned to calculate posted county prices. A Microsoft Excel spreadsheet may be used by the service County Office to perform this function.

When CCC-732 is provided to the control County Office, they indicate that it cannot be processed because either the producer isn't multi county or there is no PLM for the CMA. How do we handle a situation where the prior year CMA Process did not provide a prior year PLM for a producer who earned market gains through the CMA?

A control County Office should process CCC-732 for a producer that doesn't have an established PLM with the CMA or LSA, according to Exhibit 3.

What are the State and County Office's responsibilities in using the IBM System 36 CMA Process Reports?

Each week the CMA Process Report runs, the results are downloaded to State and County Offices in the form of viewable and printable reports in the IBM System 36. State Offices receive summary reports and County Offices receive status reports. State and County Offices shall use the IBM System 36 CMA Process Reports, according to 1-CMA, paragraph 148.

The State Office summary reports help the State Office specialists identify CMA Process fields or counties with a large number of records flagged. This may indicate:

- the need for County Office action
- problems with the CMA Process.

The County Office status reports allows the county to see the producer's status as reported to the CMA or LSA by the CMA Process. CMA Producers will appear on the status reports only if the CMA Process flagged one of the producer's eligibility or processing fields. County Offices shall periodically print these reports and check to ensure producer's are being reported accurately.

Example: County Office status reports shows 5 producers flagged with Field [49], ID Number/Crop Not Found on Compliance. The CMA was requesting crop code 0091 (barley) for the producers. Checking the producer's acreage reports reveals none of the producers has barley reported on any of their farms. Conclusion: The CMA Process is accurately reporting the 5 producers because they have no barley in the county.

Continued on the next page

Software Related Question and Answers (Continued)

Is there a method, other than going through DOS, to rename a .zip file with the numerical extension required in 1-CMA, paragraph 179?

Open Windows 95 or 98 Explorer by pressing the windows key and the E key at the same time or press Start, scroll to programs, then Windows Explorer. Find the folder that contains the .zip file to be renamed. Right click on the file name and select the rename option. Windows Explorer will place the cursor in the file name box. Change the .zip file extension to the required numerical extension. Press enter. Answer yes to the message, "If you change a filename extension, the file may become unusable. Are you sure you want to change it?"

What must be done when the allocation on the CCC-732 differs from how the software reallocates payment limit?

The amount requested on the CCC-732 takes precedence over the allocations made by the subsidiary file process. Control County Offices shall follow the steps in 1-CMA, subparagraph 89 C, for processing CCC-732's. If the reallocation of payment limit by the subsidiary file process causes the producer to be overpaid, benefits are repaid according to 1-CMA, subparagraph 80 C.

When adding a new county, should payment limit be added?

A KCMO mainframe process allocates payment limit when a new FSA county, CMA, or LSA is added, according to 2-PL, paragraph 223. Only the addition of a CMA or LSA will prompt the subsidiary file process to reallocate price support payment limits.

Can a trailer record be used to update the name and address file?

No, changes to the name and address file originate with the producer's administrative County Office.

Can a block be added to CCC-732 for control County Office State and county codes?

Yes, a block for state and county code will be added.

Why isn't the file compression and archive software WinZip required to be used for compressing files for transmission to KCMO?

KCMO required CMA's and LSA's to use the DOS version of PKZip 2.04g for compressing CMA process files. However, any software such as WinZip that can create a .zip format file is acceptable. If KCMO cannot unzip files from a CMA or LSA, the CMA or LSA will be notified by KCMO and PSD.

Continued on the next page

Software Related Question and Answers (Continued)

Why are there 2 different methods for uploading CMA files? Are we in the process of phasing out one of the methods?

Currently, CMA's and LSA's transmit and receive files through FSA's BBS by using either:

- **Galacticomm's Worldgroup communications software**
- **FSA's BBS server on the internet at <http://bbs.usda.gov>.**

Neither method is being phased out. However, the internet option allows CMA or LSA to transmit and receive files without the need for the Worldgroup software.

Why can't the CMA program work like other commodity loans, that is, show other producers and all other loans?

The CMA program is designed so that CMA obtains one loan for multiple members. Identifying individual producers and other loans they may have would not be practical since some CMA's may have hundreds of members involved with one loan.

Can software be enhanced so that a LDP does not have to be corrected out and reentered when the payment limitation is reached?

The corrections software will be enhanced to simplify the loan and LDP reentry process. Software modifications are being developed.

Can .pdf forms and documents accessible on the PSD web site, be opened in Adobe Acrobat reader version 4.0?

Yes

State and County Office Responsibilities for CMA Program

Step	Action	
1	CMA or LSA shall provide CCC-732 to the control County Office indicating in the remarks section that the CMA Process failed to provide a PLM for the producer during the previous crop year and a request for manual PLM establishment is being made.	
2	IF the “person”...	THEN the control County Office shall...
	is already multi-county but does not have an established PLM with the CMA or LSA	follow steps 2 through 4
	is not multi-county and does not have an established PLM with the CMA or LSA	follow steps 6 through 9
	is multi-county and has a PLM with the CMA or LSA	follow the steps in the table in 1-CMA, subparagraph 89 C.
3	Check APSS Market Gain Reports for the producer, according to 14-PS, paragraph 972, for the control County Office and the Administrative Counties. Important: Check Market Gain reports for ALL persons involved in a combination, if CCC-732 is for a “person” with a CPA.	
4	Ensure the sum of the Market Gain earnings shown on the APSS reports and the amount requested on CCC-732 do not exceed the “person’s” maximum \$75,000 payment limitation (PLM).	

Continued on the next page

State and County Office Responsibilities for CMA Program (Continued)

Step	Action	
5	IF the “person’s” market gain earnings from applicable APSS reports plus the amount shown on CCC-732...	THEN the control County Office shall...
	exceeds the “person’s” \$75,000 maximum PLM	contact the CMA or LSA and Administrative County Offices to determine repayment of market gain overpayment according to 1-CMA, subparagraph 80 C.
	does not exceed the “person’s” \$75,000 maximum PLM	<ul style="list-style-type: none"> • process CCC-732, according to steps in the table in 1-CMA, subparagraph 89 C • place the CMA or LSA PLM amount in the “Unallocated” section of the PLM File Update Screen MAD70103).
6	Check APSS Market Gain Reports for the “person” according to 14-PS, paragraph 972. Important: Check Market Gain reports for ALL persons involved in a combination if CCC-732 is for a “person” with a combined producer account.	

Continued on the next page

State and County Office Responsibilities for CMA Program (Continued)

Step	Action	
7	IF the “person’s” market gain earnings from applicable APSS reports plus the amount shown on CCC-732...	THEN the control County Office shall...
	exceeds the “person’s” \$75,000 maximum PLM	contact the CMA or LSA to determine repayment of market gain overpayment, according to 1-CMA, subparagraph 80 C.
	does not exceed the “person’s” \$75,000 maximum PLM	<ul style="list-style-type: none"> • process CCC-732 according to steps in the table in 1-CMA, subparagraph 89 C • document the “person’s” file to indicate the amount from CCC-732 and market gain reports does not exceed the maximum PLM.
8	Check APSS for any outstanding prior crop year loans that may impact the “person’s” PLM in the future.	
9	IF the “person” has...	THEN...
	prior crop year outstanding loan(s)	place a copy of CCC-732 and APSS Market Gain Reports in the loan folder(s) so PLM can be monitored manually if a market loan repayment is made on the loan(s).
	no prior crop year outstanding loans	ensure the “person’s” file is adequately documented to show the manual PLM determination made with CCC-732.
